

XYLEM INC.

Q3 2015 EARNINGS RELEASE

OCTOBER 29, 2015



xylem
Let's Solve Water

FORWARD-LOOKING STATEMENTS

This presentation contains information that may constitute “forward-looking statements.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements include statements about the capitalization of Xylem Inc. (the “Company”), the Company’s restructuring and realignment, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, economic sanctions or trade embargoes that could affect customer markets, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; ability to retain and attract key members of management; our relationship with and the performance of our channel partners; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; governmental investigations; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

All forward-looking statements made herein are based on information currently available to the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

BUSINESS UPDATE

3rd Quarter Earnings Release Highlights

- Affirming full-year guidance; Expected Earnings per Share* of \$1.82 to \$1.87
- Public Utility growth accelerates, up 5% (~1/3 of Xylem Revenue)
- Continued growth in Emerging Markets, up 9% driven by infrastructure investment
- Accelerated capital deployment ... Opportunistically repurchased shares, \$75M
- Announcing 1st acquisition in > two years ... HYPACK bolt-on to Analytics platform

3rd Quarter Financial Summary

- Orders of \$939M, solid Book-to-Bill 1.04 ratio supports 4Q outlook
- Revenue of \$902M, organic* growth of 2%, better than expected
- Operating Margin* of 13.7%, flat ex. FX translation (20 bps)
- Earnings Per Share* of \$0.49, up 4% ex. FX translation (\$0.06)
- Free Cash Flow* of \$116M, 132% conversion

ON TRACK TO DELIVER ON OUR COMMITMENTS

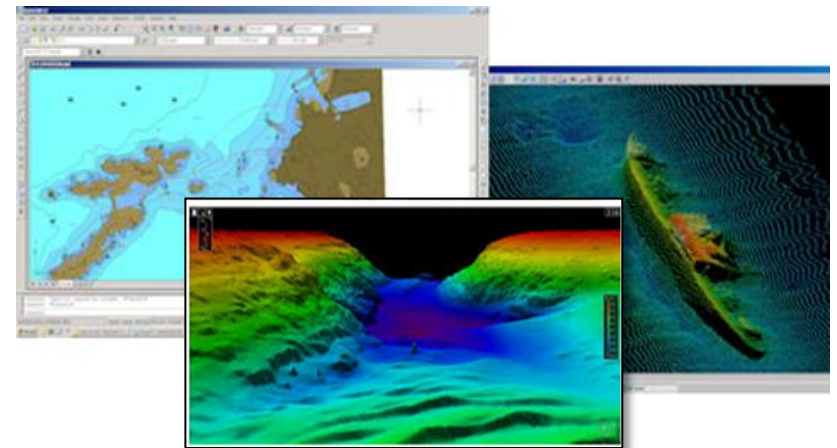
ACCELERATING CAPITAL DEPLOYMENT

RETURN OF CAPITAL TO SHAREHOLDERS

- Opportunistically repurchased ~2M shares for \$75M during the 3Q (Average Price ~\$32)
- Year-to-date Share Repurchases now totals \$125M
- ~\$475M available for future repurchases under our authorized programs
- Dividend payments of \$26M in the quarter; \$77M year-to-date reflecting approximately 10% increase on a per share basis

HYPACK ACQUISITION

- Software firm specializing in coastal / hydrographic market
- Strengthens our Analytics position in the surface water, and ocean and coastal markets
- Purchase Price: \$18M
- 2016E Revenue: \$8.5M

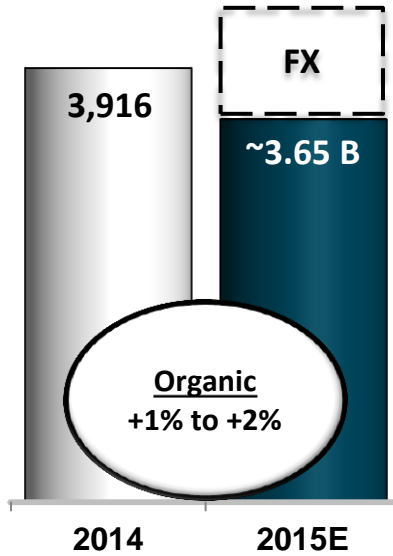


COMMITTED TO BALANCED CAPITAL DEPLOYMENT

2015 OUTLOOK

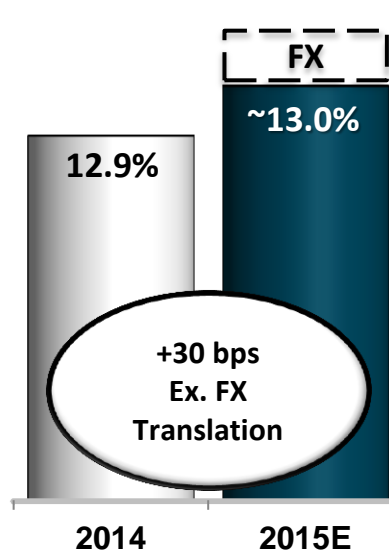
(Dollars In Millions, except EPS)

REVENUE



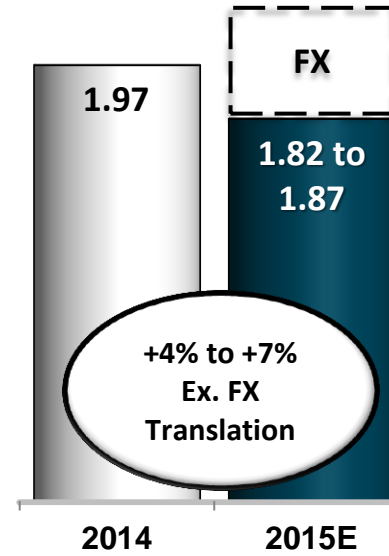
Organic Growth +1% to +2%
FX Translation - 8%

OP MARGIN*



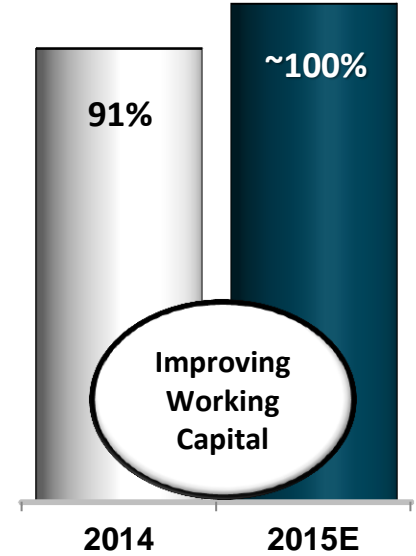
Operations +30 bps
FX Translation - 20 bps

EPS*



Operations +\$0.08 to +\$0.13
FX Translation - \$0.23

FCF CONVERSION*

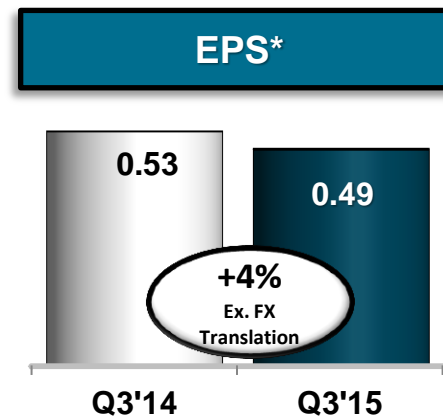
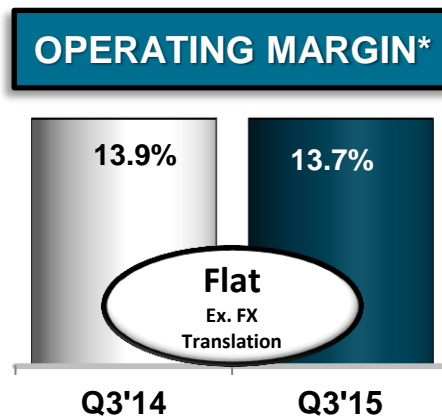
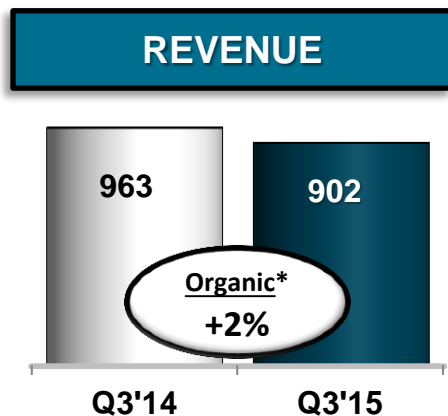


Committed to Disciplined Capital Deployment
10% Dividend Increase
\$125M Shares Repurchased (YTD)

FOCUSED ON EXECUTION & DRIVING PRODUCTIVITY

Q3'15 XYLEM PERFORMANCE

(Dollars In Millions, except EPS)



Key Organic Growth Drivers

+ Public Utility	+5%
+ Industrial	+1%
+ Residential	+6%
+ Commercial	+1%
- Agriculture	-7%

Organic Growth by Region

+ Emerging	+9%
+ W. Europe	+3%
+ Australia	+16%
- Canada	-11%
- U.S.	-1%

Key Performance Drivers

+ Operations	Flat
+ Cost Reductions	+3.2%
- Vol/Price/Mix	-0.5%
- Inflation	-2.3%
- Investment/Other	-0.4%
- FX Translation	-0.2%

**Growth & Cost Discipline
Fund Key Investments and
Offset Unfavorable Mix & FX
Transaction Impacts**

Key Performance Drivers

+ Operations	+\$0.02
+ Cost Reductions	+\$0.13
- Inflation	-\$0.09
- Vol/Price/Mix/Other	-\$0.02
- FX Translation	-\$0.06

Other Information:

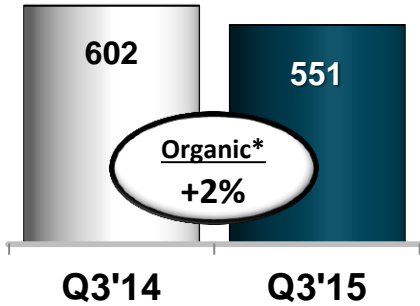
• Tax Rate	20.4%
• Share Count	181.6M

PUBLIC UTILITY GROWTH ACCELERATES ... STABLE EMERGING MARKET GROWTH

Q3'15 WATER INFRASTRUCTURE PERFORMANCE

REVENUE

(Dollars In Millions)



Organic Growth

By Application

= Transport	Flat
+ Treatment	+10%
+ Test	+2%

By Regions

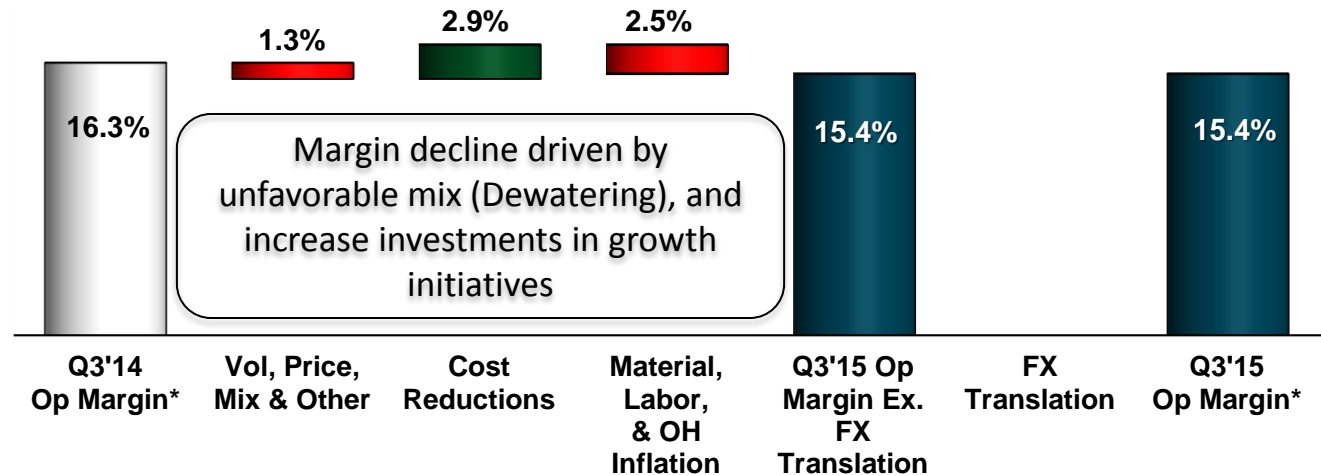
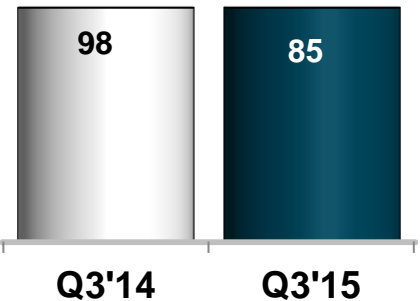
+ Emerging	+9%
+ Australia	+19%
+ W. Europe	+4%
- U.S. / CAN	- 6%

Highlights

- + Public Utility up 5% driven by improving market conditions and share gains in the U.S. and Europe coupled with continued investment (project deliveries) in Emerging Markets
- Industrial down 1% primarily driven by continued headwinds in Oil & Gas

OPERATING INCOME*

(Dollars In Millions)

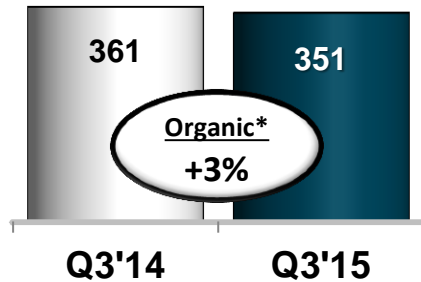


SOLID PERFORMANCE DESPITE NEAR-TERM OIL & GAS / MARGIN HEADWINDS

Q3'15 APPLIED WATER PERFORMANCE

REVENUE

(Dollars In Millions)



Organic Growth

By Application

- + Bldg Svcs +3%
- + Ind'l Water +6%
- Irrigation -7%

By Regions

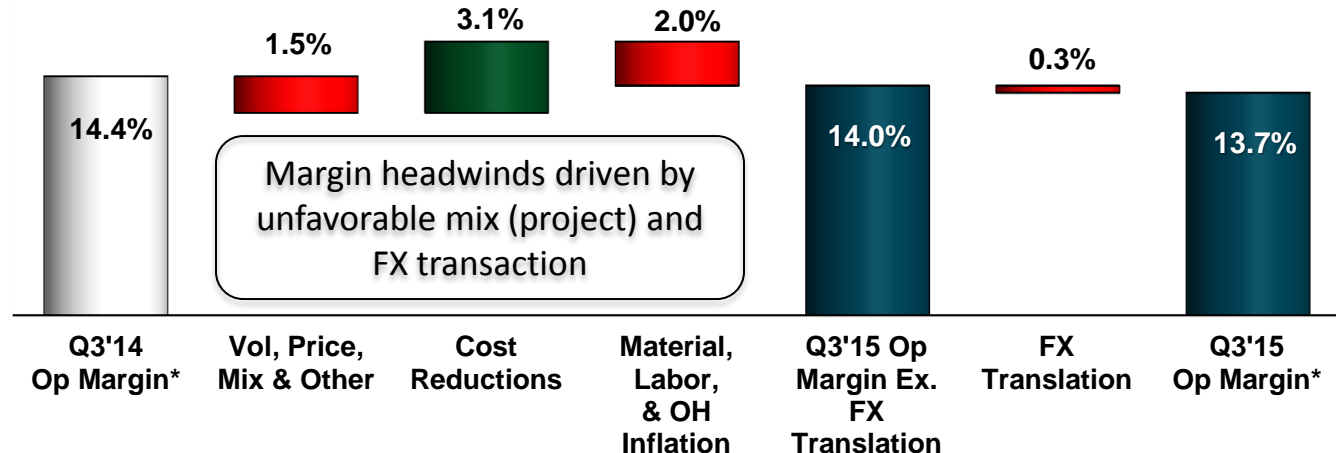
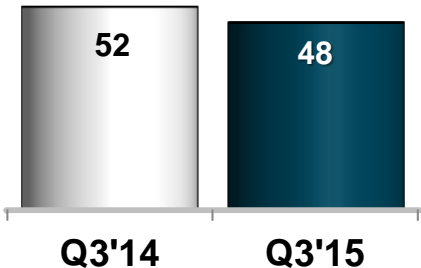
- + Emerging +7%
- + Canada +21%
- + U.S. +1%
- + W. Europe +1%

Highlights

- + Emerging Market strength continues to drive growth ... China decelerating (Q3 +3%/YTD +16%)
- + Continue to see strength in key U.S. end markets (Residential, Commercial and Industrial), partially offset by weakness in Agriculture
- + Canada strength due to project timing and strength in Commercial building applications

OPERATING INCOME*

(Dollars In Millions)

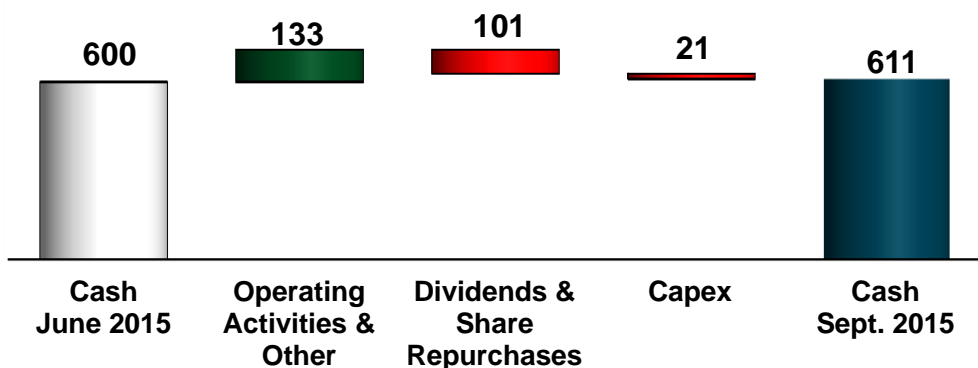


GROWTH ACROSS ALL MAJOR END MARKETS & REGIONS

XYLEM FINANCIAL POSITION

(Dollars In Millions)

CASH DRIVERS

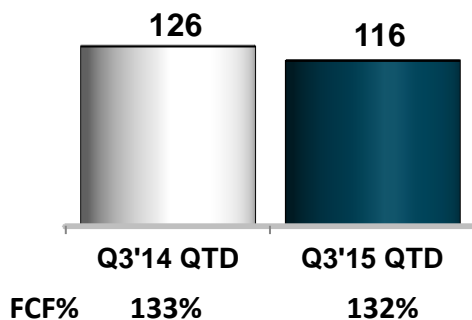


CAPITAL SUMMARY

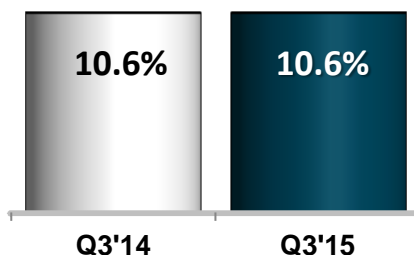
September 30, 2015

Cash	611
Debt	1,275
Net Debt	664
Shareholders' Equity	2,043
Net Capital	2,707
Net Debt to Net Capital	24.5%

FREE CASH FLOW*








ROIC**



- Strong cash position
- Investment grade credit (BBB / Baa2)
- Continued return of capital to shareholders
 - Dividends \$26 (3Q); \$77 (YTD)
 - Share repurchases \$75M (3Q); \$125 (YTD)
- Strong Free Cash Flow Performance

2015 ORGANIC REVENUE OUTLOOK

Key End Markets	Q3 YTD Actual	FY'15 Outlook	Outlook Update	Key Q4 Assumptions
 <p>Industrial (44% of '14 Revenue)</p>	Flat	Flat	=	<ul style="list-style-type: none"> • Overall, flat year-over-year • General Industrial growth offset by nearer-term O&G headwinds • O&G down ~40% (<5% of Revenue)
 <p>Public Utility (33% of '14 Revenue)</p>	+3%	Up Low to Mid Single Digits	=	<ul style="list-style-type: none"> • Up mid-single digits • U.S. Public Utility growth driven by continued market recovery & share gains • No significant project (delivery) delays
 <p>Commercial (13% of '14 Revenue)</p>	+5%	Up Mid Single Digits	↑	<ul style="list-style-type: none"> • Up low-to-mid single digits • Lapping tough 4Q'14 comparison • Positive U.S. market outlook
 <p>Residential (7% of '14 Revenue)</p>	+2%	Up Low Single Digits	↑	<ul style="list-style-type: none"> • Up low-to-mid single digits • Growth in Europe driven by new product driven share gains • Emerging Market growth continues
 <p>Agriculture (3% of '14 Revenue)</p>	-6%	Down Mid to High Single Digits	↓	<ul style="list-style-type: none"> • Down mid-to-high single digits • Tough U.S. YOY comparisons (+25%); • Unfavorable weather impacts (Texas) partially offset by drought in California

**FAVORABLE PUBLIC UTILITY OUTLOOK, ACCELERATION IN KEY REGIONS ...
NEAR-TERM O&G HEADWIND MASKING RELATIVELY STABLE END MARKET EXPOSURE**

2015 OUTLOOK

(Dollars In Millions, Except per Share Data)	Full Year Financial Outlook		4Q'15 Financial Outlook
Revenue			
Xylem Consolidated	\$3.65 Billion	Organic Growth 1% to 2%	Organic Growth 1% to 3%
Water Infrastructure	\$2.23 Billion	Organic Growth 0% to 1%	Organic Growth 0% to 3%
Applied Water	\$1.42 Billion	Organic Growth 2% to 3%	Organic Growth 2% to 3%
Segment Margin *	~14.2%		~16.5%
Operating Margin *	~13.0%		~15.0%
EPS *	\$1.82 to \$1.87		\$0.57 to \$0.62
FCF Conversion	~100%		~120%
ROIC **	~11%		~11%
Guidance Assumptions:			
Operating Tax Rate *	~21%		~21%
Share Count	~182M		~181.5M
Restructuring & Realignment Costs	~\$20		~\$4

SUMMARY

- **Solid top-line performance with improving market outlook**
 - Continue to see signs of an improving Public Utility market
 - Industrial weakness driven by nearer-term O&G headwinds
- **Continued focus on productivity and cost discipline to mitigate nearer-term mix headwinds**
- **Executing on our capital deployment strategy**
 - Returning capital via dividends and opportunistic share repurchases
 - Solid pipeline of M&A targets
- **On track to deliver on our full-year commitments**

APPENDIX

NON-GAAP MEASURES

Management views key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, working capital, and backlog, among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operations as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

"Organic revenue" and "Organic orders" defined as revenue and orders, respectively, excluding the impact of fluctuations in foreign currency translation and contributions from acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for classification as a discontinued operation or insignificant portions of our business that we did not classify as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations assumes no change in exchange rates from the prior period.

"Constant currency" defined as financial results adjusted for currency translation impacts by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries whose functional currency is not the U.S. dollar.

"EBITDA" defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **"Adjusted EBITDA"** reflects the adjustment to EBITDA to exclude restructuring and realignment costs, gain on sale of business and special charges.

"Adjusted Operating Income", "Adjusted Segment Operating Income", and "Adjusted EPS" defined as operating income, segment operating income and earnings per share, adjusted to exclude restructuring and realignment costs, gain on sale of businesses, special charges and tax-related special items, as applicable.

"Free Cash Flow" defined as net cash from operating activities, as reported in the Statement of Cash Flow, less capital expenditures as well as adjustments for other significant items that impact current results which management believes are not related to our ongoing operations and performance. Our definition of free cash flows does not consider non-discretionary cash payments, such as debt.

"Realignment costs" defined as costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, severance, relocation, travel, facility set-up and other costs.

"Special charges" defined as costs incurred by the Company, such as legal and professional fees, associated with the Korea matters, as well as costs incurred for the contractual indemnification of tax obligations to ITT.

"Tax-related special items" defined as tax items, such as tax return versus tax provision adjustments, tax exam impacts, tax law change impacts and other discrete tax adjustments.

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Orders
(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)		(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Orders 2015	Orders 2014	Change 2015 v. 2014	% Change 2015 v. 2014	Acquisitions / Divestitures	FX Contribution	Change Adj. 2015 v. 2014	% Change Adj. 2015 v. 2014	
<u>Nine Months Ended September 30</u>									
Xylem Inc.	2,798	3,051	(253)	-8%	10	257	14	0%	0%
Water Infrastructure	1,737	1,915	(178)	-9%	-	192	14	1%	1%
Applied Water	1,061	1,136	(75)	-7%	10	65	-	0%	-1%
<u>Quarter Ended September 30</u>									
Xylem Inc.	939	1,027	(88)	-9%	-	88	-	0%	0%
Water Infrastructure	590	664	(74)	-11%	-	68	(6)	-1%	-1%
Applied Water	349	363	(14)	-4%	-	20	6	2%	2%
<u>Quarter Ended June 30</u>									
Xylem Inc.	944	1,031	(87)	-8%	5	92	10	1%	0%
Water Infrastructure	585	654	(69)	-11%	-	69	-	0%	0%
Applied Water	359	377	(18)	-5%	5	24	11	3%	2%
<u>Quarter Ended March 31</u>									
Xylem Inc.	915	993	(78)	-8%	5	77	4	0%	0%
Water Infrastructure	562	597	(35)	-6%	-	55	20	3%	3%
Applied Water	353	396	(43)	-11%	5	21	(17)	-4%	-6%

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation Reported vs. Organic & Constant Currency Revenue (\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)		(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /		Change	% Change	
	2015	2014	2015 v. 2014	2015 v. 2014	Divestitures	FX Contribution	Adj. 2015 v. 2014	Adj. 2015 v. 2014	
<u>Nine Months Ended September 30</u>									
Xylem Inc.	2,659	2,874	(215)	-7%	11	243	39	1%	1%
Water Infrastructure	1,602	1,770	(168)	-9%	-	180	12	1%	1%
Applied Water	1,057	1,104	(47)	-4%	11	63	27	2%	1%
<u>Quarter Ended September 30</u>									
Xylem Inc.	902	963	(61)	-6%	-	81	20	2%	2%
Water Infrastructure	551	602	(51)	-8%	-	61	10	2%	2%
Applied Water	351	361	(10)	-3%	-	20	10	3%	3%
<u>Quarter Ended June 30</u>									
Xylem Inc.	920	1,005	(85)	-8%	6	89	10	1%	0%
Water Infrastructure	551	616	(65)	-11%	-	65	-	0%	0%
Applied Water	369	389	(20)	-5%	6	24	10	3%	1%
<u>Quarter Ended March 31</u>									
Xylem Inc.	837	906	(69)	-8%	5	73	9	1%	0%
Water Infrastructure	500	552	(52)	-9%	-	54	2	0%	0%
Applied Water	337	354	(17)	-5%	5	19	7	2%	1%

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation Adjusted Operating Income (\$ Millions)

	Q1		Q2		Q3		YTD	
	2015	2014	2015	2014	2015	2014	2015	2014
Total Revenue								
• Total Xylem	837	906	920	1,005	902	963	2,659	2,874
• Water Infrastructure	500	552	551	616	551	602	1,602	1,770
• Applied Water	337	354	369	389	351	361	1,057	1,104
Operating Income								
• Total Xylem	83	76	104	116	120	130	307	322
• Water Infrastructure	47	46	65	76	83	95	195	217
• Applied Water	46	41	51	53	46	51	143	145
• Total Segments	93	87	116	129	129	146	338	362
Operating Margin								
• Total Xylem	9.9%	8.4%	11.3%	11.5%	13.3%	13.5%	11.5%	11.2%
• Water Infrastructure	9.4%	8.3%	11.8%	12.3%	15.1%	15.8%	12.2%	12.3%
• Applied Water	13.6%	11.6%	13.8%	13.6%	13.1%	14.1%	13.5%	13.1%
• Total Segments	11.1%	9.6%	12.6%	12.8%	14.3%	15.2%	12.7%	12.6%
Special Charges								
• Total Xylem	1	-	-	-	-	-	1	-
• Water Infrastructure	1	-	-	-	-	-	1	-
• Applied Water	-	-	-	-	-	-	-	-
• Total Segments	1	-	-	-	-	-	1	-
Restructuring & Realignment Costs								
• Total Xylem	6	18	6	9	4	4	16	31
• Water Infrastructure	5	12	4	5	2	3	11	20
• Applied Water	1	6	2	4	2	1	5	11
• Total Segments	6	18	6	9	4	4	16	31
Adjusted Operating Income*								
• Total Xylem	90	94	110	125	124	134	324	353
• Water Infrastructure	53	58	69	81	85	98	207	237
• Applied Water	47	47	53	57	48	52	148	156
• Total Segments	100	105	122	138	133	150	355	393
Adjusted Operating Margin*								
• Total Xylem	10.8%	10.4%	12.0%	12.4%	13.7%	13.9%	12.2%	12.3%
• Water Infrastructure	10.6%	10.5%	12.5%	13.1%	15.4%	16.3%	12.9%	13.4%
• Applied Water	13.9%	13.3%	14.4%	14.7%	13.7%	14.4%	14.0%	14.1%
• Total Segments	11.9%	11.6%	13.3%	13.7%	14.7%	15.6%	13.4%	13.7%

*Adjusted Operating Income excludes restructuring & realignment costs and special charges.

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation EBITDA and Adjusted EBITDA by Quarter (\$ Millions)

	Q1	Q2	2015 Q3	Q4	Total
Pre-Tax Income	77	91	107		275
Interest Expense (Income), net	13	13	13		39
Depreciation	24	23	22		69
Amortization	11	11	11		33
Stock Compensation	4	4	3		11
EBITDA	129	142	156		427
Restructuring & Realignment	6	6	4		16
Gain on sale of business	(9)	-	-		(9)
Special Charges	2	1	2		5
Adjusted EBITDA	128	149	162		439
Revenue	837	920	902		2,659
Adjusted EBITDA Margin	15.3%	16.2%	18.0%		16.5%
	Q1	Q2	2014 Q3	Q4	Total
Pre-Tax Income	61	104	128	128	421
Interest Expense (Income), net	13	14	12	13	52
Depreciation	23	24	23	25	95
Amortization	13	12	12	10	47
Stock Compensation	4	5	5	4	18
EBITDA	114	159	180	180	633
Restructuring & Realignment	18	9	4	12	43
Gain on sale of business	-	-	(11)	-	(11)
Adjusted EBITDA	132	168	173	192	665
Revenue	906	1,005	963	1,042	3,916
Adjusted EBITDA Margin	14.6%	16.7%	18.0%	18.4%	17.0%

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Water Infrastructure
(\$ Millions)

	2015				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	55	65	84		204
Interest Expense (Income), net	-	(1)	-		(1)
Depreciation	16	14	13		43
Amortization	9	9	9		27
Stock Compensation	1	-	1		2
EBITDA	81	87	107		275
Restructuring & Realignment	5	4	2		11
Gain on sale of business	(8)	-	-		(8)
Special Charges	1	-	-		1
Adjusted EBITDA	79	91	109		279
Revenue	500	551	551		1,602
Adjusted EBITDA Margin	15.8%	16.5%	19.8%		17.4%
	2014				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	45	77	96	105	323
Interest Expense (Income), net	-	-	(1)	-	(1)
Depreciation	15	15	14	17	61
Amortization	10	10	10	9	39
Stock Compensation	1	1	-	-	2
EBITDA	71	103	119	131	424
Restructuring & Realignment	12	5	3	9	29
Adjusted EBITDA	83	108	122	140	453
Revenue	552	616	602	672	2,442
Adjusted EBITDA Margin	15.0%	17.5%	20.3%	20.8%	18.6%

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Applied Water
(\$ Millions)

	2015				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	46	51	47		144
Interest, net	-	-	-		-
Depreciation	5	5	7		17
Amortization	1	1	-		2
Stock Compensation	1	-	-		1
EBITDA	53	57	54		164
Restructuring & Realignment	1	2	2		5
Gain on sale of business	(1)	-	-		(1)
Adjusted EBITDA	53	59	56		168
Revenue	337	369	351		1,057
Adjusted EBITDA Margin	15.7%	16.0%	16.0%		15.9%
	2014				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	42	53	61	48	204
Interest, net	-	-	-	-	-
Depreciation	5	5	6	5	21
Amortization	1	1	1	1	4
Stock Compensation	-	1	1	-	2
EBITDA	48	60	69	54	231
Restructuring & Realignment	6	4	1	2	13
Gain on sale of business	-	-	(11)	-	(11)
Adjusted EBITDA	54	64	59	56	233
Revenue	354	389	361	370	1,474
Adjusted EBITDA Margin	15.3%	16.5%	16.3%	15.1%	15.8%

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation
Adjusted Diluted EPS
(\$ Millions, except per share amounts)

	Q3 2014			Q3 2015		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	963		963	902		902
Operating Income	130	4 a	134	120	4 a	124
Operating Margin	13.5%		13.9%	13.3%		13.7%
Interest Expense	(14)		(14)	(13)		(13)
Other Non-Operating Income (Expense)	1		1	-	2 b	2
Gain from sale of business	11	(11)	-	-	-	-
Income before Taxes	128	(7)	121	107	6	113
Provision for Income Taxes	(22)	(2) c	(24)	(19)	(4) c	(23)
Net Income	106	(9)	97	88	2	90
Diluted Shares	183.4		183.4	181.6		181.6
Diluted EPS	\$ 0.58	\$ (0.05)	\$ 0.53	\$ 0.48	\$ 0.01	\$ 0.49
Currency translation impact on current year diluted EPS				\$ (0.06)		\$ (0.06)
Diluted EPS at Constant Currency				\$ 0.54		\$ 0.55

	Q3 YTD 2014			Q3 YTD 2015		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	2,874		2,874	2,659		2,659
Operating Income	322	31 a	353	307	17 a	324
Operating Margin	11.2%		12.3%	11.5%		12.2%
Interest Expense	(41)		(41)	(41)		(41)
Other Non-Operating Income (Expense)	1		1	-	4 b	4
Gain from sale of businesses	11	(11)	-	9	(9)	0
Income before Taxes	293	20	313	275	12	287
Provision for Income Taxes	(52)	(13) c	(65)	(49)	(10) c	(59)
Net Income	241	7	248	226	2	228
Diluted Shares	184.6		184.6	182.3		182.3
Diluted EPS	\$ 1.31	\$ 0.04	\$ 1.35	\$ 1.24	\$ 0.01	\$ 1.25
Currency translation impact on current year diluted EPS				\$ (0.17)		\$ (0.17)
Diluted EPS at Constant Currency				\$ 1.41		\$ 1.42

a Restructuring & realignment costs in 2014 and 2015 and special charges in 2015

b Special charges

c Net tax impact of restructuring & realignment costs and special charges, and tax-related special items

NON-GAAP MEASURES

Xylem Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Free Cash Flow
(\$ Millions)

	Q1		Q2		Q3		Nine Months Ended	
	2015	2014	2015	2014	2015	2014	2015	2014
Net Cash - Operating Activities	\$ 39	\$ 22	\$ 84	\$ 76	\$ 137	\$ 155	\$ 260	\$ 253
Capital Expenditures	(37)	(25)	(20)	(23)	(21)	(29)	(78)	(77)
Free Cash Flow	<u>\$ 2</u>	<u>\$ (3)</u>	<u>\$ 64</u>	<u>\$ 53</u>	<u>\$ 116</u>	<u>\$ 126</u>	<u>\$ 182</u>	<u>\$ 176</u>
Net Income	64	49	74	86	88	106	226	241
Gain from sale of businesses	9	-	-	-	-	11	9	11
Net Income, excluding gain on sale of businesses	<u>\$ 55</u>	<u>\$ 49</u>	<u>\$ 74</u>	<u>\$ 86</u>	<u>\$ 88</u>	<u>\$ 95</u>	<u>\$ 217</u>	<u>\$ 230</u>
Free Cash Flow Conversion	<u>4%</u>	<u>-6%</u>	<u>86%</u>	<u>62%</u>	<u>132%</u>	<u>133%</u>	<u>84%</u>	<u>77%</u>

xylem

Let's Solve Water

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